

**REPORT OF THE AUDIT OF THE  
CLINTON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2015**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**CLINTON COUNTY FISCAL COURT**

**June 30, 2015**

The Auditor of Public Accounts has completed the audit of the Clinton County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Clinton County Fiscal Court.

**Financial Condition:**

The Clinton County Fiscal Court had total receipts of \$4,689,347 and disbursements of \$4,435,608 in fiscal year 2015. This resulted in a total ending fund balance of \$772,579 which is an increase of \$263,924 from the prior year.

**Report Comments:**

- 2015-001 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, Record Keeping, Report Preparation, And Reconciliations
- 2015-002 The Fiscal Court Should Improve Purchase And Procurement Procedures
- 2015-003 The Fiscal Court Should Improve Controls Over Service Organization
- 2015-004 The Fiscal Court Should Maintain Accurate Capital Asset Records

**Deposits:**

The fiscal court deposits were insured and collateralized by bank securities or bonds.



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### APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM





**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

Honorable Richard Armstrong, Clinton County Judge/Executive

Members of the Clinton County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Clinton County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Clinton County Fiscal Court's financial statement as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the People of Kentucky  
Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
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### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described more fully in Note 1, the financial statement is prepared by Clinton County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Clinton County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Clinton County Fiscal Court as of June 30, 2015, and its cash receipts and disbursements, for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Clinton County Fiscal Court. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying budgetary comparison schedules and capital asset schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the financial statement as a whole.



To the People of Kentucky  
Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
Honorable Richard Armstrong, Clinton County Judge/Executive  
Members of the Clinton County Fiscal Court

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2016 on our consideration of Clinton County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clinton County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2015-001 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, Record Keeping, Report Preparation, And Reconciliations
- 2015-002 The Fiscal Court Should Improve Purchase And Procurement Procedures
- 2015-003 The Fiscal Court Should Improve Controls Over Service Organization
- 2015-004 The Fiscal Court Should Maintain Accurate Capital Asset Records

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

May 13, 2016

CLINTON COUNTY OFFICIALS

For The Year Ended June 30, 2015

**Fiscal Court Members:**

Richard Armstrong	County Judge/Executive
Johnny Russell	Magistrate
Patty Guinn	Magistrate
Ricky Craig	Magistrate
Mickey Riddle	Magistrate
Terry Buster	Magistrate
Hershell Key	Magistrate

**Other Elected Officials:**

Michael A. Rains	County Attorney
Johnny Thrasher	Jailer
Sheila Booher	County Clerk
Jake Staton	Circuit Court Clerk
James Guffey	Sheriff
Pat Campbell	Property Valuation Administrator
Steve Talbott	Coroner

**Appointed Personnel:**

Tuesday Davis	County Treasurer
Joanna Armstrong	Finance Officer

**CLINTON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2015**

**CLINTON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2015**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 360,241	\$	\$
In Lieu Tax Payments	184,484		
Excess Fees	31,536		
Licenses and Permits	28,763		
Intergovernmental	393,863	1,549,477	106,690
Charges for Services	50		34,752
Miscellaneous	45,027	22,392	1,237
Interest	99	570	103
Total Receipts	<u>1,044,063</u>	<u>1,572,439</u>	<u>142,782</u>
<b>DISBURSEMENTS</b>			
General Government	611,149	21,323	
Protection to Persons and Property	2,354		434,413
General Health and Sanitation	92,389		
Social Services			
Recreation and Culture			
Roads		1,006,662	
Capital Projects			
Administration	<u>278,577</u>	<u>194,511</u>	<u>98,768</u>
Total Disbursements	<u>984,469</u>	<u>1,222,496</u>	<u>533,181</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>59,594</u>	<u>349,943</u>	<u>(390,399)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Payroll Revolving Account	10,185		
Transfers From Other Funds	297,082	100,000	398,000
Transfers To Other Funds	<u>(266,050)</u>	<u>(226,082)</u>	
Total Other Adjustments to Cash (Uses)	<u>41,217</u>	<u>(126,082)</u>	<u>398,000</u>
Net Change in Fund Balance	100,811	223,861	7,601
Fund Balance - Beginning (Restated)	<u>52,277</u>	<u>206,265</u>	<u>11,603</u>
Fund Balance - Ending	<u>\$ 153,088</u>	<u>\$ 430,126</u>	<u>\$ 19,204</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 22,299	\$ 444,281	\$ 28,554
Payroll Revolving Account Reconciled Balance	10,185		
Plus: Deposits In Transit	127,428		
Less: Outstanding Checks	<u>(6,824)</u>	<u>(14,155)</u>	<u>(9,350)</u>
Fund Balance - Ending	<u>\$ 153,088</u>	<u>\$ 430,126</u>	<u>\$ 19,204</u>

The accompanying notes are an integral part of the financial statement.

**CLINTON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>Budgeted Funds</b>					
<b>Local Government Economic Assistance Fund</b>	<b>Disaster and Emergency Services Fund</b>	<b>Ambulance Fund</b>	<b>Forestry Fund</b>	<b>Occupational Tax Fund</b>	<b>911 Fund</b>
\$	\$	\$	\$	\$ 840,017	\$ 203,562
			899		
106,449	35,838	10,000			
		673,713			16,500
7,050		30			90
38	676	7,117		314	64
<u>113,537</u>	<u>36,514</u>	<u>690,860</u>	<u>899</u>	<u>840,331</u>	<u>220,216</u>
58,307				72,570	
5,560	43,729	869,452	1,502		215,743
27,714					
48,993					
21,894	1,613	228,024		6,615	52,826
<u>162,468</u>	<u>45,342</u>	<u>1,097,476</u>	<u>1,502</u>	<u>79,185</u>	<u>268,569</u>
(48,931)	(8,828)	(406,616)	(603)	761,146	(48,353)
27,500	30,000	398,000	525	26,550	
		(4,000)		(781,525)	
<u>27,500</u>	<u>30,000</u>	<u>394,000</u>	<u>525</u>	<u>(754,975)</u>	
(21,431)	21,172	(12,616)	(78)	6,171	(48,353)
56,628	3,967	63,231	100	7,234	87,318
<u>\$ 35,197</u>	<u>\$ 25,139</u>	<u>\$ 50,615</u>	<u>\$ 22</u>	<u>\$ 13,405</u>	<u>\$ 38,965</u>
\$ 35,533	\$ 25,139	\$ 51,660	\$ 22	\$ 13,405	\$ 39,075
(336)		(1,045)			(110)
<u>\$ 35,197</u>	<u>\$ 25,139</u>	<u>\$ 50,615</u>	<u>\$ 22</u>	<u>\$ 13,405</u>	<u>\$ 38,965</u>

The accompanying notes are an integral part of the financial statement.

**CLINTON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2015**  
**(Continued)**

	<u>Budgeted Funds</u>		<u>Unbudgeted Fund</u>	
	<u>Homeland Security Fund</u>	<u>Special CDBG Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$ 1,403,820
In Lieu Tax Payments				184,484
Excess Fees				31,536
Licenses and Permits				29,662
Intergovernmental	2,750	11,524		2,216,591
Charges for Services				725,015
Miscellaneous			13,431	89,257
Interest			1	8,982
Total Receipts	<u>2,750</u>	<u>11,524</u>	<u>13,432</u>	<u>4,689,347</u>
<b>DISBURSEMENTS</b>				
General Government				763,349
Protection to Persons and Property	7,807			1,580,560
General Health and Sanitation				92,389
Social Services				27,714
Recreation and Culture			18,860	67,853
Roads				1,006,662
Capital Projects		14,253		14,253
Administration				882,828
Total Disbursements	<u>7,807</u>	<u>14,253</u>	<u>18,860</u>	<u>4,435,608</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(5,057)</u>	<u>(2,729)</u>	<u>(5,428)</u>	<u>253,739</u>
<b>Other Adjustments to Cash (Uses)</b>				
Payroll Revolving Account				10,185
Transfers From Other Funds				1,277,657
Transfers To Other Funds				(1,277,657)
Total Other Adjustments to Cash (Uses)				<u>10,185</u>
Net Change in Fund Balance	(5,057)	(2,729)	(5,428)	263,924
Fund Balance - Beginning	6,024	2,730	11,278	508,655
Fund Balance - Ending	<u>\$ 967</u>	<u>\$ 1</u>	<u>\$ 5,850</u>	<u>\$ 772,579</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 2,153	\$ 1	\$ 5,658	\$ 667,780
Payroll Revolving Account Reconciled Balance				10,185
Plus: Deposits In Transit			192	127,620
Less: Outstanding Checks	(1,186)			(33,006)
Ending Fund Balance	<u>\$ 967</u>	<u>\$ 1</u>	<u>\$ 5,850</u>	<u>\$ 772,579</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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**CLINTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Clinton County includes all budgeted and unbudgeted funds under the control of the Clinton County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.



**CLINTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

State Grants Fund - The primary purpose of this fund is to account for State grants received by the county. The primary source of receipts for this fund is the Kentucky State Treasurer. There was no activity in this fund for fiscal year 2015.

Federal Grants Fund - The primary purpose of this fund is to account for federal grants received by the county. There was no activity in this fund for fiscal year 2015.

Disaster and Emergency Service Fund - The primary purpose of this fund is to account for the disaster and emergency services expenses of the county. The primary source of receipts for this fund is the Kentucky State Treasurer.

Ambulance Fund - The primary purpose of this fund is to account for the ambulance activities of the county. The primary source of receipts for this fund is user fees paid by insurance companies.

Forestry Fund - The primary purpose of this fund is to account for the forestry expenses of the county. The primary source of receipts for this fund is the fire acres property tax.

Occupational Tax Fund - The primary purpose of this fund is to account for the Occupational Tax collections of the county.

911 Fund - The primary purpose of this fund is to account for the emergency dispatch activities of the county. The primary source of receipts for this fund is telephone 911 fees.

Homeland Security Fund - The primary purpose of this fund is to account for some emergency equipment expenses of the county. The primary source of receipts for this fund is federal and state grants.

Special CDBG Fund - The primary purpose of this fund is to account for community development block grants received by the county. The primary source of receipts for this fund is the federal government.

**CLINTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**CLINTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of this fund.

**E. Clinton County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Clinton County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Clinton County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**CLINTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Deposits and Investments**

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**CLINTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2015.

	General Fund	Road Fund	Occupational Tax Fund	Ambulance Fund	Total Transfers In
General Fund	\$	\$ 151,082	\$ 146,000	\$	\$ 297,082
Road Fund	100,000				100,000
Jail Fund	76,000		322,000		398,000
LGEA Fund	27,500				27,500
Ambulance Fund	40,000	75,000	283,000		398,000
Occupational Tax Fund	22,550			4,000	26,550
Disaster and Emergency Fund			30,000		30,000
Forestry Fund			525		525
Total Transfers Out	<u>\$ 266,050</u>	<u>\$ 226,082</u>	<u>\$ 781,525</u>	<u>\$ 4,000</u>	<u>\$ 1,277,657</u>

Reason for transfers: To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

**Note 4. Agency Trust Funds**

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2015 was \$290.

**Note 5. Employee Retirement System**

**A. Plan Description**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

**CLINTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 5. Employee Retirement System (Continued)**

**A. Plan Description (Continued)**

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$290,014, FY 2014 was \$280,186, and FY 2015 was \$255,376.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Kentucky Retirement Systems issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**CLINTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**CLINTON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 5. Employee Retirement System (Continued)**

**B. Net Pension Liability**

As promulgated by GASB Statement No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for all employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Clinton County's proportionate share of the net pension liability as of June 30, 2015 is:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Non-Hazardous	\$ 2,869,000	\$ 2,535,000
Totals	<u>\$ 2,869,000</u>	<u>\$ 2,535,000</u>

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or can be obtained as described in the paragraph above.

**Note 6. Insurance**

For the fiscal year ended June 30, 2015, Clinton County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 7. Payroll Revolving Account**

The reconciled balance of the Payroll Revolving Account as of June 30, 2015, was added to the General Fund cash balance for financial reporting purposes.

**Note 8. Prior Period Adjustments**

The county treasurer voided prior year checks after being outstanding for more than one year. This resulted in an increase to the beginning balance of the General Fund by \$2,129, Jail Fund by \$967, and the Ambulance Fund by \$899. The beginning balance of the State Grants Fund has been restated by a decrease of \$1,000 due to an incorrect adjustment in the prior year.



**CLINTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2015**



**CLINTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2015**

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 397,000	\$ 397,000	\$ 360,241	\$ (36,759)
In Lieu Tax Payments	143,000	143,000	184,484	41,484
Excess Fees	8,996	8,996	31,536	22,540
Licenses and Permits	31,100	31,100	28,763	(2,337)
Intergovernmental	137,600	137,600	393,863	256,263
Charges for Services	2,000	2,000	50	(1,950)
Miscellaneous	63,810	63,810	45,027	(18,783)
Interest	500	500	99	(401)
Total Receipts	784,006	784,006	1,044,063	260,057
DISBURSEMENTS				
General Government	544,842	615,412	611,149	4,263
Protection to Persons and Property	2,000	2,400	2,354	46
General Health and Sanitation	92,268	92,918	92,389	529
Administration	305,978	279,506	278,577	929
Total Disbursements	945,088	990,236	984,469	5,767
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(161,082)	(206,230)	59,594	265,824
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	151,082	151,082	297,082	146,000
Transfers To Other Funds			(266,050)	(266,050)
Total Other Adjustments to Cash (Uses)	151,082	151,082	31,032	(120,050)
Net Change in Fund Balance	(10,000)	(55,148)	90,626	145,774
Fund Balance Beginning (Restated)	10,000	55,148	52,277	(2,871)
Fund Balance - Ending	\$ 0	\$ 0	\$ 142,903	\$ 142,903

**CLINTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>ROAD FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,068,598	\$ 1,068,598	\$ 1,549,477	\$ 480,879
Miscellaneous	1,005	1,005	22,392	21,387
Interest	1,000	1,000	570	(430)
Total Receipts	<u>1,070,603</u>	<u>1,070,603</u>	<u>1,572,439</u>	<u>501,836</u>
<b>DISBURSEMENTS</b>				
General Government	22,000	22,000	21,323	677
Roads	929,384	1,019,384	1,006,662	12,722
Capital Projects	5,000	5,000		5,000
Administration	213,824	198,824	194,511	4,313
Total Disbursements	<u>1,170,208</u>	<u>1,245,208</u>	<u>1,222,496</u>	<u>22,712</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(99,605)</u>	<u>(174,605)</u>	<u>349,943</u>	<u>524,548</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			100,000	100,000
Transfers To Other Funds	<u>(151,082)</u>	<u>(151,082)</u>	<u>(226,082)</u>	<u>(75,000)</u>
Total Other Adjustments to Cash (Uses)	<u>(151,082)</u>	<u>(151,082)</u>	<u>(126,082)</u>	<u>25,000</u>
Net Change in Fund Balance	(250,687)	(325,687)	223,861	549,548
Fund Balance Beginning	<u>250,687</u>	<u>250,687</u>	<u>206,265</u>	<u>(44,422)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (75,000)</u>	<u>\$ 430,126</u>	<u>\$ 505,126</u>

**CLINTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 115,500	\$ 115,500	\$ 106,690	\$ (8,810)
Charges for Services	31,000	31,000	34,752	3,752
Miscellaneous	3,500	3,500	1,237	(2,263)
Interest	100	100	103	3
Total Receipts	150,100	150,100	142,782	(7,318)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	424,100	454,900	434,413	20,487
Capital Projects	1,000	1,000		1,000
Administration	126,500	105,836	98,768	7,068
Total Disbursements	551,600	561,736	533,181	28,555
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(401,500)	(411,636)	(390,399)	21,237
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	400,000	400,000	398,000	(2,000)
Total Other Adjustments to Cash (Uses)	400,000	400,000	398,000	(2,000)
Net Change in Fund Balance	(1,500)	(11,636)	7,601	19,237
Fund Balance Beginning (Restated)	1,500	11,636	11,603	(33)
Fund Balance - Ending	\$ 0	\$ 0	\$ 19,204	\$ 19,204

**CLINTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 160,000	\$ 160,000	\$ 106,449	\$ (53,551)
Miscellaneous	5,500	5,500	7,050	1,550
Interest	100	100	38	(62)
Total Receipts	165,600	165,600	113,537	(52,063)
<b>DISBURSEMENTS</b>				
General Government	59,250	59,550	58,307	1,243
Protection to Persons and Property	34,804	7,560	5,560	2,000
Social Services	29,046	30,046	27,714	2,332
Recreation and Culture	62,800	64,700	48,993	15,707
Administration	42,700	29,500	21,894	7,606
Total Disbursements	228,600	191,356	162,468	28,888
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(63,000)	(25,756)	(48,931)	(23,175)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			27,500	27,500
Total Other Adjustments to Cash (Uses)			27,500	27,500
Net Change in Fund Balance	(63,000)	(25,756)	(21,431)	4,325
Fund Balance Beginning	63,000	63,000	56,628	(6,372)
Fund Balance - Ending	\$ 0	\$ 37,244	\$ 35,197	\$ (2,047)

**CLINTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>STATE GRANTS FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>
	<b>Original</b>	<b>Final</b>	
			<b>Variance with Final Budget Positive (Negative)</b>
<b>RECEIPTS</b>			
Intergovernmental	\$ 50,000	\$ 50,000	\$ (50,000)
Total Receipts	50,000	50,000	(50,000)
<b>DISBURSEMENTS</b>			
Recreation and Culture	50,000		
Total Disbursements	50,000		
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		50,000	(50,000)
<b>Other Adjustments to Cash (Uses)</b>			
Transfers To Other Funds		(50,000)	50,000
Total Other Adjustments to Cash (Uses)		(50,000)	50,000
Net Change in Fund Balance			
Fund Balance Beginning (Restated)			
Fund Balance - Ending	\$ 0	\$ 0	\$ 0

**CLINTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>FEDERAL GRANTS FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 33,000	\$ 33,000	\$	\$ (33,000)
Total Receipts	33,000	33,000		(33,000)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	33,000	33,000		33,000
Total Disbursements	33,000	33,000		33,000
Net Change in Fund Balance				
Fund Balance Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0



**CLINTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

**DISASTER AND EMERGENCY SERVICES FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 43,175	\$ 43,175	\$ 35,838	\$ (7,337)
Miscellaneous	500	500		(500)
Interest	25	25	676	651
Total Receipts	43,700	43,700	36,514	(7,186)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	41,100	45,450	43,729	1,721
Administration	5,600	2,217	1,613	604
Total Disbursements	46,700	47,667	45,342	2,325
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(3,000)	(3,967)	(8,828)	(4,861)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			30,000	30,000
Total Other Adjustments to Cash (Uses)			30,000	30,000
Net Change in Fund Balance	(3,000)	(3,967)	21,172	25,139
Fund Balance Beginning	3,000	3,967	3,967	
Fund Balance - Ending	\$ 0	\$ 0	\$ 25,139	\$ 25,139

**CLINTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>AMBULANCE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 10,000	\$ (50,000)
Charges for Services	555,000	555,000	673,713	118,713
Miscellaneous			30	30
Interest	2,000	2,000	7,117	5,117
Total Receipts	617,000	617,000	690,860	73,860
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	747,400	879,444	869,452	9,992
Administration	229,600	237,132	228,024	9,108
Total Disbursements	977,000	1,116,576	1,097,476	19,100
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(360,000)	(499,576)	(406,616)	92,960
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	350,000	350,000	398,000	48,000
Transfers To Other Funds			(4,000)	(4,000)
Total Other Adjustments to Cash (Uses)	350,000	350,000	394,000	44,000
Net Change in Fund Balance	(10,000)	(149,576)	(12,616)	136,960
Fund Balance Beginning (Restated)	10,000	62,332	63,231	899
Fund Balance - Ending	\$ 0	\$ (87,244)	\$ 50,615	\$ 137,859

**CLINTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>FORESTRY FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
<b>RECEIPTS</b>			Variance with Final Budget Positive (Negative)
Licenses and Permits	\$ 1,000	\$ 1,000	\$ 899
Total Receipts	1,000	1,000	899
<b>DISBURSEMENTS</b>			
Protection to Persons and Property	1,900	1,900	1,502
Total Disbursements	1,900	1,900	1,502
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(900)	(900)	(603)
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	800	800	525
Total Other Adjustments to Cash (Uses)	800	800	525
Net Change in Fund Balance	(100)	(100)	(78)
Fund Balance Beginning	100	100	100
Fund Balance - Ending	\$ 0	\$ 0	\$ 22

**CLINTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>OCCUPATIONAL TAX FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>RECEIPTS</b>				
Taxes	\$ 880,000	\$ 880,000	\$ 840,017	\$ (39,983)
Miscellaneous	1,000	1,000		(1,000)
Interest	300	300	314	14
Total Receipts	881,300	881,300	840,331	(40,969)
<b>DISBURSEMENTS</b>				
General Government	41,200	80,000	72,570	7,430
Administration	49,300	10,500	6,615	3,885
Total Disbursements	90,500	90,500	79,185	11,315
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	790,800	790,800	761,146	(29,654)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			26,550	26,550
Transfers To Other Funds	(800,800)	(800,800)	(781,525)	19,275
Total Other Adjustments to Cash (Uses)	(800,800)	(800,800)	(754,975)	45,825
Net Change in Fund Balance	(10,000)	(10,000)	6,171	16,171
Fund Balance Beginning	10,000	10,000	7,234	(2,766)
Fund Balance - Ending	\$ 0	\$ 0	\$ 13,405	\$ 13,405

**CLINTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>911 FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 210,000	\$ 210,000	\$ 203,562	\$ (6,438)
Charges for Services	30,000	30,000	16,500	(13,500)
Miscellaneous	800	800	90	(710)
Interest	25	25	64	39
Total Receipts	240,825	240,825	220,216	(20,609)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	217,000	235,500	215,743	19,757
Administration	83,825	67,642	52,826	14,816
Total Disbursements	300,825	303,142	268,569	34,573
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(60,000)	(62,317)	(48,353)	13,964
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	50,000	50,000		(50,000)
Total Other Adjustments to Cash (Uses)	50,000	50,000		(50,000)
Net Change in Fund Balance	(10,000)	(12,317)	(48,353)	(36,036)
Fund Balance Beginning	10,000	87,317	87,318	1
Fund Balance - Ending	\$ 0	\$ 75,000	\$ 38,965	\$ (36,035)

**CLINTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

HOMELAND SECURITY FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	500	500	2,750	2,250
Total Receipts	500	500	2,750	2,250
DISBURSEMENTS				
Protection to Persons and Property	6,500	6,500	7,807	(1,307)
Total Disbursements	6,500	6,500	7,807	(1,307)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(6,000)	(6,000)	(5,057)	943
Net Change in Fund Balance	(6,000)	(6,000)	(5,057)	943
Fund Balance Beginning	6,000	6,000	6,024	24
Fund Balance - Ending	\$ 0	\$ 0	\$ 967	\$ 967

**CLINTON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>SPECIAL CDBG FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 216,600	\$ 216,600	\$ 11,524	\$ (205,076)
Total Receipts	216,600	216,600	11,524	(205,076)
<b>DISBURSEMENTS</b>				
Capital Projects	216,600	219,330	14,253	205,077
Total Disbursements	216,600	219,330	14,253	205,077
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(2,730)	(2,729)	1
Net Change in Fund Balance		(2,730)	(2,729)	1
Fund Balance Beginning		2,730	2,730	
Fund Balance - Ending	\$ 0	\$ 0	\$ 1	\$ 1

**CLINTON COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2015**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of the General Fund**

The *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* differs from the *Budgetary Comparison Schedule* for the General Fund's ending balance by \$10,185 due to the inclusion of the Payroll Revolving account's unreconciled balance.

**Note 3. Excess of Disbursements over Appropriations**

The Protection to Persons and Property line item in the Homeland Security Fund exceeded budgeted appropriations by \$1,307.



**CLINTON COUNTY**  
**SUPPLEMENTARY SCHEDULE**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**



**CLINTON COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2015**

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 123,907	\$	\$	\$ 123,907
Buildings and Building Improvements	5,673,662			5,673,662
Vehicles	819,430	103,346		922,776
Equipment	941,721	92,685		1,034,406
Infrastructure	4,758,103	575,856		5,333,959
 Total Capital Assets	 <u>\$ 12,316,823</u>	 <u>\$ 771,887</u>	 <u>\$ 0</u>	 <u>\$ 13,088,710</u>

**CLINTON COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - SCHEDULE OF CAPITAL ASSETS**

**June 30, 2015**

**Note 1. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	2-20
Infrastructure	\$ 20,000	10-50

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Richard Armstrong, Clinton County Judge/Executive  
Members of the Clinton County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards***

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Clinton County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Clinton County Fiscal Court's financial statement and have issued our report thereon dated May 13, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Clinton County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Clinton County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinton County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2015-001, 2015-002, 2015-003, and 2015-004 to be material weaknesses.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*  
(Continued)

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Clinton County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2015-002 and 2015-004.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", followed by a horizontal line.

Mike Harmon  
Auditor of Public Accounts

May 13, 2016



**CLINTON COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2015**



**CLINTON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2015**

**FINANCIAL STATEMENT FINDINGS:**

**2015-001    The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, Record Keeping, Report Preparation, And Reconciliations**

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A lack of segregation of duties exists over the following accounting functions: receipts, collection and processing, record-keeping, disbursement processing, report preparation, and reconciliations.

The county treasurer prepares and deposits the receipts, posts to the ledgers, prepares reports from those ledgers for submission to the Department for Local Government, and performs the bank reconciliations. The occupational tax administrator receives and documents payments received for occupational tax and net profits tax. The finance officer prepares a listing of bills for the fiscal court's approval and prints the checks. The county judge/executive and county treasurer sign the checks without evidence of a comparison to the invoices.

Lack of segregation of duties could result in inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions.

We recommend the fiscal court separate the duties in preparing and depositing receipts, recording transactions, preparing reports, and reconciling bank accounts. If any of these duties cannot be segregated due to limited staff or budget, strong oversight should be provided over the employee responsible. The employee providing the oversight should document this. We also recommend the county treasurer and county judge/executive compare checks against the original invoices prior to signing them. This comparison could be documented by both the county judge/executive and county treasurer initialing cancelled invoices. Additionally, we recommend the ledgers maintained by the county treasurer and finance officer be reconciled monthly with documentation of the reconciliation noted.

*County Judge/Executive's Response: No Response.*

**2015-002    The Fiscal Court Should Improve Purchase And Procurement Procedures**

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The fiscal court has a lack of segregation of duties and weak internal controls over purchase and procurement procedures. As a result, the following deficiencies were noted:

- One invoice was not paid within 30 days from receipt of invoice.
- Adequate documentation was not maintained to support fuel disbursements of \$1,378.
- Haul tickets were not signed by a county employee nor were they turned into the finance officer by a county employee. All haul tickets were turned in by the vendor to the finance officer.

Good internal controls dictate that adequate original supporting documentation be maintained for all disbursements. All original vendor invoices and receipts should be maintained including any supporting documentation, agreed to the corresponding purchase order, and cancelled upon payment. All purchase orders should be approved and issued before the work or service is performed. KRS 65.140 states, in part, "Unless the purchaser and vendor otherwise contract, all bills for goods and services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor...."

**CLINTON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2015-002 The Fiscal Court Should Improve Purchase And Procurement Procedures (Continued)

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We recommend the fiscal court maintain all original vendor invoices, including any supporting documentation, and comply with KRS 65.140 by paying vendors within 30 working days unless the purchaser and vendor otherwise contract. In addition, we recommend all haul tickets be signed by a county employee, with one returned to the driver and the second turned into the finance officer to be matched to the vendor's invoice before the invoice is paid.

*County Judge/Executive's Response: No Response.*

2015-003 The Fiscal Court Should Improve Controls Over Service Organization

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Ambulance service user fees are billed and collected by an independent contractor. Accounting standards refer to this arrangement as a service organization contract. The fiscal court was unaware of the total being billed, collected and forwarded to the collection agency due to a lack of information sharing between the county treasurer, ambulance director, and contractor. The ambulance service logs information for each user on a run sheet which is picked up by the contractor three days a week. The ambulance director and contractor regularly review the run sheets to ensure all runs are accounted for and turned over to the contractor. The contractor then bills the user, who forwards their payments to the ambulance's post office box which is picked up daily by the contractor and forwarded to the county treasurer. The contractor collects the monies on behalf of the ambulance service, but all funds collected and reports issued by the contractor are given to the county treasurer. The county treasurer and ambulance director do not compare information, which could allow bills to be under paid, unpaid, or unaccounted for. When outstanding bills are considered uncollectible by the contractor, they are transferred to a collection agency (on behalf of the county). Those uncollected bills are not being properly accounted for. Based on information provided by the contractor the county has \$1,670,634 outstanding receivables as of June 30, 2015. In addition, it was noted the current agreement on file between the contractor and the fiscal court has expired.

The process used for billing could result in the fiscal court receiving less revenue than it should. This could further lead to fraudulent billing or lack of billing.

The service organization arrangement does not relieve the fiscal court of its responsibility to maintain internal accounting controls designed to reduce the risk of material misstatements in the financial statements.

We recommend that the fiscal court institute monitoring procedures to ensure adequate control over the ambulance billing and collection process. We further recommend the fiscal court require the service organization to have an audit and also update contracts as necessary to keep them current.

*County Judge/Executive's Response: No Response.*

**CLINTON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2015-004 The Fiscal Court Should Maintain Accurate Capital Asset Records

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The fiscal court is not maintaining an accurate asset schedule. Because the fiscal court is not providing adequate oversight in this area, numerous audit adjustments were made to the fiscal court's asset schedules. These adjustments resulted in total decreases of the beginning balances of land by \$10,605,164, and infrastructure by \$42,910. The adjustments also resulted in totals of buildings increasing by \$2,504,742, vehicles by \$78,063, and equipment by \$49,044.

By not maintaining an accurate schedule, there is a risk that capital assets may not be insured or that the fiscal court pays insurance premiums for assets they no longer own.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. Per the *County Budget Preparation and State Local Finance Officer Policy Manual*, capital asset records are necessary for proper valuation, adequate and accurate insurance coverage, internal control, and long range planning for property replacement. The manual states that capital asset records should include a description of the asset, historical cost, date of acquisition, date of disposal, useful life of the asset, salvage value, depreciation expense, accumulated depreciation, and proceeds from sale or disposal of assets. In addition, the manual states that a capital asset record should be prepared for each acquisition.

We recommend the fiscal court appoint an employee in charge of maintaining capital assets. The employee should maintain records throughout the year of purchases and retirements of assets and provide periodic updates to the fiscal court. Purchases should include the date the asset was acquired, a description of the asset, the vendor name, the amount, salvage value and useful life. Invoices for asset acquisition should be kept on file in a manner that allows retrieval of the original invoice for review and verification as needed by management and auditors. We further recommend that as an asset is retired or disposed of, it be removed from the listing. The fiscal court should also improve procedures to ensure that all changes to the insurance for additions or deletions be completed timely and documentation should be maintained evidencing the requested changes to the insurance. If possible, an inventory count at June 30 of each fiscal year should be conducted. The fiscal court should provide the necessary oversight needed to perform this important function.

*County Judge/Executive's Response: No Response.*

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**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**CLINTON COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2015**



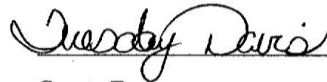


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
CLINTON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

The Clinton County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
County Judge/Executive

  
County Treasurer

